

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 H-02 IO-13 L-03 /096 W

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R 151612Z NOV 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 8889

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

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E. O. 11652: GDS

TAGS: EAID, EFIN, EG

SUBJECT: ASSISTANCE TO EGYPT: GODE LOAN BACK ON TRACK

REF: CAIRO 15648

1. IN EFFORT TO GET GODE-GUARANTEED \$250 MILLION LOAN BACK INTO POSITION FOR IMPLEMENTATION BY CHASE MANHATTAN, ECONCOUN SPOKE TO MINECON EL SAYEH ON SUBJECT AT NOV. 13 RECEPTION FOR CODEL RIBICOFF/BAKER. SAYEH, WHO WAS ALREADY FULLY BRIEFED ON THE ISSUE, TOOK AMBASSADOR ASIDE TO REPORT HIS BELIEF THAT ABU ISMAIL'S ACTION HAD BEEN "STUPID", AND THAT GOE HAD EVERY INTENTION OF GOING WITH CHASE.

2. SAYEH SAID HE HAD ALREADY MET WITH REPS OF ARAB INVESTMENT COMPANY (AIC) WHO HAD BEEN GIVEN THIS INFORMATION. ANOTHER MEETING IS PLANNED FOR NOV. 17, BUT SAYEH ASSURED AMBASSADOR THAT AIC OFFER WILL NOT BE ACCEPTED.

3. ON NOV. 14 RICHEY MET WITH DEPPM KAYSOUNI

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AND SAYEH TO DISCUSS SITUATION. MEETING WAS REPORTEDLY

VERY OPEN, FRIENDLY, FOCUSSING ON FACT THAT GOE HAD RECEIVED A BETTER OFFER AND IT WAS THEREFORE APPROPRIATE FOR CHASE TO MAKE A GESTURE IN RECOGNITION OF THE FACT. GESTURE ENVOLVED INTO REDUCTIION IN INTEREST RATE FOR LOAN BY ONE-EIGHT OF ONE PERCENT MAKING NEW RATE ONE AND ONE-EIGHT OVER LONDON INTER-BANK. ON MORNING OF 15TH, HAVING REWRITTEN APPROPRIATE PARTS OF DOCUMENTATION, CHASE REPS GOT KAYSOUNI TO SIGN APPROVAL FOR PROJECTED UNDERTAKING AND SEND A TELEX TO AL-KHAIR STATING THAT TEAM OF CHASE AND CENTRAL BANK PEOPLE WILL ARRIVE IN RIYADH ON 16TH TO WRAP EVERYTHING UP.

4. COMMENT. THREE POINTS OF INTEREST APPEAR OUT OF FOREGOING. A. DESPITE ALL THEIR EARLIER DISCLAIMERS THAT IT COULDN'T BE DONE, CHASE HAS LOWERED THE INTEREST RATE. REPS STATE THIS IS NOW POSSIBLE BECAUSE OF BRAND NEW CIRCUMSTANCES IN MONEY MARKET. WHETHER OR NOT THIS IS TRUE, EGYPTIANS HAVE AGAIN BEEN TAUGHT THAT IT PAYS TO HAGGLE.

B. KAYSOUNI TEAM CAN MOVE QUICKLY. EVEN KEEPING IN MIND FACT THAT GROUNDWORK HAD PERHAPS BEEN LAID BY ABU ISMAIL, RESPONSE AND MOVEMENT THAT FOLLOWED AGREEMENT ON INTEREST IS IMPRESSIVE. C. THE LOAN IS ONCE AGAIN ON TRACK. ALLOWING FOR CHASE'S EARLIER TIMETABLE IT IS THEREFORE POSSIBLE EGYPT WILL HAVE ACCESS TO A TOTAL OF \$500 MILLION (GUARANTEED LOAN AND DIRECT LOAN) FROM GOE WITHIN THE NEXT SEVERAL WEEKS. THIS IS IMPORTANT SINCE IMF FORECASTS CONTINUE TO LIST THIS AS THE SINE QUA NON FOR MAKING IT THROUGH TO JANUARY 1.

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